Reassessing the Italian economic miracle

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Reassessing the Italian "Economic Miracle": Law, Firms' Governance, and Management, 1950–1973

This article revisits and reassess the evolution of the Italian capitalism during the so called "economic miracle" (1950–1973). Using original sources, it analyses how the average small private firm, representing the vast majority of Italian businesses at the time, struggled to fully develop, grow, and modernize. The paper identifies the main source of the problem in a set of inefficient (or poorly-enforced) laws and regulations that allowed firms to remain competitive, and business owners to extract resources out of them, using a wide display of borderline strategies.

This article also claims that accountants (*commercialisti*) had a key role in implementing these strategies.

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In 1964, the novelist Lucio Mastronardi published *Il meridionale di Vigevano*, a story that featured an accountant, Racalmuto, as an imposing figure who walked in the main square of his town as a "Messiah."[1] The novel took place in Vigevano, in the north of Italy, which was home to at least nine hundred workshops and firms producing about one-third of the total output of the Italian shoe sector at the time—and thereby provided a representative example of the rapidly expanding consumer goods industries that absorbed the vast majority of Italian private businesses.[2] The world that emerges from the novel is one made up of small firms operating with basic technologies in traditional sectors and competing in short-term, and sometimes unscrupulous, strategies without embracing a long-term plan for the firms' growth and development. In such a world, accountants (*commercialisti*) played a powerful role acting as middleman. The resources that firms produced were often extracted and used by their owners for private use, rather than re-invested in the expansion and modernization of businesses.

The aim of this article is to show that such a fictional picture had a strong basis in reality. Even during the "economic miracle"—when state-owned big business and some large private businesses embarked on a trajectory of growth—the average small and medium sized Italian private firm still suffered from the practices Mastronardi described. Thus, this article reassesses the nature of Italian capitalism, looking at the phase of its maximum success by developing an idea suggested separately by a few authors.[3] We note that Italian laws and regulations offered opportunities and incentives for owners to promote their own interests instead of the interests of their business. We show how these problems were most visible in the key areas of governance and management. Specifically, informal types of business organizations and governance were adopted alongside formal ones with the aim of protecting insiders from legitimate claims by outside parties. At the same time, management was de facto left in the hands of business accountants (*commercialisti*) in return, again, for insider advantages.[4] The consequence of such peculiarities was that Italian businesses tended to remain small and centered in traditional labor-intensive industries, with little investment in human capital and technology.[5]

For historians, analyzing these topics opens the door to complex methodological issues, particularly in terms of sources. By definition, we focus on forms of behavior that tend to happen behind closed doors and leave little formal trace. To tackle the problem, we use two original sources. One is the minutes of legal hearings held by the Italian supreme court (*Corte di Cassazione*) between 1950 and 1979; the other is the published acts of the annual meetings of the

Italian National Association of Accountants (*Atti dei congressi nazionali dei dottori commercialisti*) for the same period.

Choosing to focus on the *Corte di Cassazione* is motivated by various factors. Being a national court, the court wrote opinions on cases taking place all over the country, which guarantees proper national coverage. It provided a sample of both civil and penal cases; although Italy is a civil-law country and judges' decisions were not formally binding, the verdicts of the *Corte di Cassazione* carried considerable weight and tended to establish legal precedents. One of the key advantages of using the minutes of legal hearing, so far neglected by Italian historians, is that the information provided is to a large extent independent from the nature of the allegations. For instance, a bankruptcy case might reveal information about a firm's true form of governance in contrast to its declared one, or legal disputes among partners could shed light on cases involving lack of tax compliancy. More generally, besides the mere content and outcome of the actual legal disputes, these cases illustrate general problems and limitations in the law and enforcement mechanisms.[6]

To perform our analysis, we identified the Italian law journals publishing, altogether, the totality of legal cases discussed by the *Corte di Cassazione*. In each journal, we searched any heading under which we could expect to find reports of business-related legal hearings. This generated a list of approximately 4,800 legal cases of potential interest discussed between 1950 and 1979.[7] Looking at the previous part of the process—court of appeal (*Corte di appello*)—for each case, we have an indication of the geographical distribution of the firms involved in the procedures. The sample is well-distributed among all Italian regions and fairly representative of the relative weight of different areas in the economic activities of the country. For instance, northern regions account for 45 percent of the total sample, central regions for 21.8 percent, and southern regions for 34.2 percent.[8] These journals publish brief summaries (*massime*)—usually one page in length—of the minutes of legal hearings (*sentenze*). These 4,800 *massime* contain important information, particularly about firms' governance, and therefore constitute a key part of our primary sources. In cases for which richer details are available, we also analyze the actual *sentenze*.[9]

Our second source is the official proceedings of the annual congresses held by the National Association of Accountants. We analyzed all volumes published between 1946 and 1979, and we identified various articles written by eminent members of the association whose content is pivotal in reconstructing the role of accountants within the Italian economy.[10] To a large extent, these articles were lobbying devices aimed at protecting the interests of the association and its members from the perceived intrusion of other professional categories into what was considered a set of activities that was already too limited. From this perspective, accountants had no incentive to emphasize the actual extent of their involvement in the management of firms (something that was technically outside their official range of competence) and certainly nothing to gain by letting surface any trace of possible alliances with business owners at the expense of other parties. In this sense, the source is biased against our argument.

The paper is organized as follows. Section 2 provides an overview of the Italian economy and business structure during the golden age. Section 3 details the informal types of governance used by Italian firms and analyzes the aims of these strategies. Section 4 studies the profound influence of business accountants in the management of Italian firms.

Italian Capitalism during Europe's "Golden Age"

The expression "golden age" is often used in the literature but rarely properly defined. It typically refers to the period of rapid economic growth that occurred between 1950 and 1973 in Europe and, more generally, in the Western world.[11] In Italy it was a period of outstanding economic success—so much so that it has been labeled the "economic miracle" (or *miracolo economico* in Italian)—with rates of growth consistently higher than the Western European average.[12] Indeed, the annual average rate of growth of Italy's gross domestic product (GDP) per capita during the period 1950–1973 was 5.0 percent versus the 3.8 percent average of the twelve Western European countries. Italy's rate of growth was faster in the first subperiod (up to 1963), and it slowed slightly from 1964 to1973, being at 5.8 percent (compared to 3.7 percent in the twelve Western European countries) and 3.9 percent (compared to 3.8 percent), respectively.[13]

At a macroeconomic level, a combination of sound policies and favorable exogenous conditions, both domestic and international, accounts for this excellent performance. At the 1951 census, a large share of Italy's population was still employed in agriculture (44 percent); consequently, there was ample opportunity to move unskilled workers to more productive sectors while keeping salaries low. This potential advantage, however, became reality when it was decided to follow a policy of integrating into the growing international trade instead of an import-substitution policy. Indeed, the share of Italian exports in world trade almost doubled between 1950 and 1973, while its composition moved rapidly from primary to industrial products.[14] Italian comparative advantages were amplified by a combination of restrictive monetary policy (which contained inflation and maintained international competitiveness) and expansionary fiscal policy, characterized by massive investment in infrastructure and physical capital. All of this took place in the context of American financial and technical support via the Marshall Plan, the low cost of energy (vital in a country without coal and oil), and the relatively low exchange rate of the lira when Italy joined the Bretton Woods system.[15]

At the microeconomic level, there is no doubt that the golden age was a successful period for Italian businesses' growth, capacity to innovate—at least in less technologically intensive sectors—and expansion into international markets. The degree of success, however, varied substantially across the Italian productive system (small firms/big business; private/state-owned; traditional/high-tech sectors). As Jon Cohen and Giovanni Federico argue, "put simply, some firms were efficient, dynamic, technologically up to date and internationally competitive, while others were inefficient, lethargic, backward, and uncompetitive."[16]

Certainly, one of the main actors in the success of the Italian productive sector was state-owned big business. Firms belonging to national holdings such as the Istituto per la Ricostruzione Industriale (IRI) and Ente Nazionale Idrocarburi (ENI) were at the forefront of innovation in heavy sectors such as mechanics, metalworking, and chemicals. Between 1955 and 1962, the core of the Italian golden age, their level of fixed investment was more than double that of private firms, with the result that they "could provide Italian industry at prices in line with international ones, with basic products in the sectors in which the large private firms . . . operated inefficiently."[17] State-owned businesses also led the tendency of Italian industry to converge toward the most advanced countries in terms of firm size. Although, as we will show later, the Italian manufacturing system still suffered, overall, from the issue of too a small average firm dimension, the rise of state-owned big business alleviated this problem.[18] Private big business played an important role as well, although it was limited to specific industries, namely, car manufacturing (FIAT), electronics (Olivetti), durable consumer goods, and the light mechanical sector (Candy, Ignis, and Zanussi). In these industries, Italy established an important international presence and firms showed considerable innovative ability.

This picture, however, can be highly deceptive. In fact, while Italian big business reached the apex of its influence in the early 1970s, the size of the average firms remained comparatively small.[19] This anomaly is well-known and supported by data: in 1961 Italy, the share of workers employed in manufacturing firms with less than ten workers was 28 percent, and that percentage decreased to 23.5 percent a decade later while in the early 1960s, this percentage was 6.4 percent in France, 2.5 percent in the United States, less than 3 percent in Germany, and 16.4 percent in Japan.[20] Tiny firm size went hand in hand, as shown by Alessandro Nuvolari and Michelangelo Vasta,[21] with a comparatively lower ability to innovate, and specialization in traditional sectors within Italian manufacturing was "handicapped by productivity gap, structural weakness, a reduced presence in technologically advanced sectors."[22] Indeed, the innovative strategy of the Italian economy was mainly based on imitative behavior and concentrated in mature sectors because innovative activity in science-based sectors, those close to the technological frontier, was significantly weaker. According to Matteo Gomellini and Mario Pianta, the Italian economy's ability to consolidate dynamic mechanisms of innovative activities had vanished by 1963 due to ineffective industrial and technological policies.[23] Thus, even during its golden age, Italian capitalism suffered from structural problems. What is much less clear is where they originated. Considering the success of public big business and some private ones, the rest of the productive system appears to be the source of these anomalies: the average private firm, small to medium, that represented approximately 95 percent of the total number of concerns.

At first glance, the model of small size/low innovation in traditional sectors firms could be seen as a rational choice in a world where rapidly expanding trade made the combination of cheap unskilled labor and imitative technologies profitable. However, scholars studying this period conclude, instead, that these were suboptimal strategies and the result of an inefficient institutional setup. Beyond such generic agreement, two distinct views appear in the literature. The majority and more established opinion emphasizes the absence of enough competition in Italian capitalism at the time, arguing that the "the problem . . . was too much protection, the solution more competition."[24] This problem has been identified in two areas: overregulation of the economic environment, particularly the labor market; and the lack of pro-market institutions. For instance, it has been argued that the absence of antitrust regulations and the structure of the credit sector limited the degree of competition, giving large Italian private firms monopolistic power with few incentives to further develop. Only a few actors were allowed to provide industrial lending, paving the way for the credit institution *Mediobanca* to achieve a pivotal position and to orchestrate an inward-looking competition-adverse system of mutual control among big business.[25] Moreover, in the stock market, the features of voting rights and the widespread presence of pyramidal structures gave insiders the power to extract “private benefits of control,” which was unmatched in Europe. This limited the appeal of industrial investment and frustrated the development of the stock market to an extent that was anomalous among the most industrialized Western economies.[26]

Other scholars offered an alternative view, stressing how the real issue in the Italian economy at the time was not only the lack of competition but mainly the inefficient nature and the poor enforcement of basic regulations and laws. According to Fabrizio Barca, the post-1945 period was characterized by the inability to reform the state and its apparatus; consequently firms were left to their own devices without institutional support, such as sound industrial policy and clear procedures to address fiscal obligations. To counterbalance the impact of this problem, however, the state turned a blind eye to the advantages that firms received by not complying with the basic “rules of the game” and widely engaging with practices such as tax evasion and poor bookkeeping.[27] According to Paul Ginsborg, what Barca defines as a “compromise without reform” was not the result of unlucky contingencies; to the contrary, the inability to reform the state was a proper policy implemented to defend vexed interests, including those of specific economic categories (small shopkeepers, artisans, etc.).[28] Michele Salvati provides a complementary perspective, stressing how in the early 1960s, in a phase of relative slowing of a still fast-growing economy, opportunities were missed to make Italian capitalism more competitive by modernizing the economy, up-skilling the workforce, and establishing a credible ruling class committed to long-term objectives.[29]

These ideas present an alternative view of the peculiarity of Italian capitalism: issues such as firms average small size or lack of innovation, rather than in the lack of competition, may be rooted in the inefficient rules of the game, which provided distorting incentives to business owners. In particular, these rules might have created practices allowing insiders to exploit firms in a way that was profitable for them but not for the firms. To fully appreciate how this was unique to Italy, contrast the situation with Germany’s and how its institutions were able, together with other elements, to balance the interests of insiders with those of firms.[30]

Barca’s and Salvati’s interpretation however, has not been applied at the microeconomic level—that is, its actual implications for firms' structure and behavior—likely because of a lack of adequate primary sources. In the next sections, we develop and expand their interpretation of Italian capitalism's anomalies during the golden age by showing how inefficient institutions affected the core areas of governance and management of typical small- to medium-sized Italian private firms.

The Hidden Side of Firm Governance

This section focuses on the first structural anomaly of Italian capitalism of that time: namely, the pervasive use of a variety of informal styles of business organizations and governance often hidden behind the façade of standard ones. For instance, while firms formally appeared as sole-ownerships, partnerships, or incorporated businesses, their actual governance and ownership structure was much more complex.[31] A gap between the reality of firm governance and its description was certainly not unique to Italy.[32] What was unique, however, was the strategic use of forms of governance not to maximize firms' efficiency but to promote insiders' self-interest at the expense of outsiders' legitimate claims. To maximize insiders' interests, businesses used different approaches, and they can be summarized in three main types of informal governance: hidden owner/manager, deceptive forms of governance/business organization, and firm-to-firm control. See Table 1.

[Table 1 about here]

"Hidden ownership," the first type of informal governance, is probably the most widespread. In this type, one or more partners did not formally appear as part of a given partnership, often despite their clear involvement in managing the business. This strategy would take different forms. The most straightforward one involved partners who were never explicitly identified or formally recognized, *socio occulto* in Italian or silent partner in English. Similar strategies consisted of a partner appearing officially only during prosperous times or only in a role (for example, as a limited-liability partner) that would protect the person from full legal responsibilities.[33] The presence of a silent partner or partners in an established firm was a narrow aspect of the more general problem of various people operating together without making business partnerships official.

As shown in Table 1, this strategy took three different forms: concerns operating on the basis of an informal agreement among partners (de facto partnership or *società di fatto*); businesses with written contracts among partners but that were not registered (*società irregolare*); and firms with an official and written agreement among partners which was intentionally kept secret (hidden partnership or *società occulta*). Hidden or de facto partnerships (and/or the existence of silent partners) were legal, and some indirect evidence suggests that it was a common way of operating businesses. Although, by definition, it is impossible to know the number of these firms, the vast body of secondary literature exploring this phenomenon clearly indicates its relevance: the study of forms of governance such as "de facto partnerships" or "silent partners," was common in commercial law journals and in the title of dedicated books, even as early as the 1890s and the 1920s.[34] In general, the goal of these governance forms was to establish a degree of reputation without exposing business owners to the full weight of legal and financial liability (to achieve reputation without liability). Largely because of the inability of the Italian legal system to guarantee quick and efficient recovery of credit, trust and reputation tended to be endorsed on the full commitment of individuals rather than on the financial capacity of firms.[35] The implication is that the use of the limited liability form (either partnerships or incorporated businesses) was not a straightforward means to create a distance between personal assets and those of the firm. Moreover, limited-liability had a higher cost than partnership because of the minimum amount of capital required and the impact of registration fees.[36] Thus, for small partnerships or sole ownerships, it would have been too expensive to adopt the limited liability form, let alone the joint-stock version. In such a scenario, entrepreneurs with a high personal reputation could choose to use it by operating a business in such a way as to create the impression of being partners but without formally appearing in the firm's hierarchy and without exposing their personal assets as collateral for financial obligations. Often this strategy implied agreements among partners to make only one of them legally responsible and officially endorsing all personal assets on the others, de facto limiting the degree of the firm's liability to its own assets. These types of agreements were very common in family-run businesses in which only one member officially appeared in charge of the firm and was liable for losses, while the actual management of the firm was shared with other members of the family.[37]

From this perspective, the case of *Mongello v. fallimento Mongello et al.* is particularly illuminating. In the early 1960s, Mr. Mongello, together with his wife and daughter, traded in Rome in the shoe industry. His involvement was explicit, but when the business went bankrupt, Mongello tried to hide his financial responsibility by pretending never to have been a partner. In declaring Mongello guilty, the judge in charge commented that he "did not underwrite any commercial bill in order not to involve his assets . . . but behaved in such a way as to ingenerate the impression among third parties that he was a partner in the firm."[38] In a country characterized by a disproportionate share of family-owned firms, the fact that these strategies fit perfectly with this form of ownership structure suggests that their diffusion might be even more common than our evidence leads us to believe. Further, it is consistent with the idea of *amoral familism* allegedly dominating the Italian economic and cultural scene at the time (especially in the south) and leading to a lack of trust and suspicion of anybody outside the family boundaries.[39] The effectiveness of these strategies is best exemplified by looking at the inconsistency in court decisions in similar situations. For instance, cases such as that of Mongello, where the involvement of the husband or wife in a business was proved, stand at odds with various occasions where judges were not able to prove such involvement. At the same time, looking at attempts by one half of a couple to hide assets in case of the bankruptcy of the other half, we find a wide variety of outcomes in court decisions.[40] This high level of inconsistency made the recourse to legal action not only slow and expensive but also open to an ample degree of uncertainty, reducing the incentives for potential victims to sue in court.

"Deceptive forms of governance," the second general type, consisted of hiding the true system of governance. This type could take different forms, such as ordinary industrial firms hidden behind the label of artisan ones, medium-sized businesses officially registered as small businesses, or unlimited-liability partnerships hidden behind joint-stock limited-liability ones whose shares (and managerial responsibilities) were concentrated in the hands of very few people or even a single person (the so-called *tyrannical entrepreneurship*, or *imprenditore tiranno*).

The aim of this type of informal governance (to benefit from institutional protection) was to try to take advantage of privileged forms of business organization. Specifically, by choosing a given form of governance, business owners tried to avoid taxation, to be protected from bankruptcy, or to benefit, without the right to do so, from limited liability. For example, by registering a concern as a small or artisan firm, business owners were, by law, discharged from bankruptcy and, in the latter case, also enjoyed a favorable tax status.[41] In theory, to use either form of governance, a business had to meet certain criteria. In practice, however, technical difficulties made the enforcement of these norms very hard.[42] For example, the legal status of artisan firms was based on a fuzzy definition of their activity, and it was up to judges to decide in each case whether a given firm qualified as artisanal. Various cases in the sample show the difficulties of such an evaluation and the enormous latitude left to judges.[43]

The extent of abusing the artisan firm label is exemplified by some outstanding cases of standard industrial concerns trying to hide their nature. In the early 1960s, for example, in the town of Reggio Calabria, Antonio De Cusatis ran a baking factory disguised as an artisan firm. The industrial nature of this concern was evident from the simple fact that it was an important supplier of the Genoa-based firm Saiwa, at the time one of the leading Italian companies in the food processing sector. It also appeared—as the judge stressed—that De Cusatis's business used "a complex pool of assets" such as buildings, machinery, and industrial plants.[44]

Another example of the use of a falsified form of business organization was to register what was de facto a sole ownership, hence with unlimited liability, as a joint-stock limited-liability business. In order to prevent abuses, the Italian civil code established that unlimited liability still applied in cases in which, despite the joint-stock form of business organization, an single owner could still clearly be identified. Various examples, however, demonstrate how easily this norm could have been circumvented by simply formally endorsing any amount of shares (even 1 per cent) to other people.[45] The case that best shows the effectiveness of this strategy is *Fallimento Melandri v. Banco di Napoli e Cassa di Risparmio di Genova e Imperia*, involving the Genoa-based limited-liability company I.m.p.e.a. In this case, the judges quickly realized that what appeared formally to be a company was, in fact, a sole ownership, with Mr. Melandri owning 80 percent of the firm's shares and being the company's general manager. Despite this very clear situation, the court still decided not to charge Melandri with full financial liability.[46]

"Firm-to-firm control," the third general type of informal governance, took the form of businesses without any real role apart from being functional to the interests of another concern. This general strategy could be implemented in a variety of ways. For example, an existing limited-liability business could be used as a "proxy company" (*impresa schermo*) to cover the activity of a partnership, or a firm could be explicitly used to endorse liabilities belonging to other firms. The objective of this type of informal governance (to generate, artificially, financial resources or to transfer them from business to business) was to increase the resources of a firm and/or to transfer them from one company to another to conceal them from creditors. A good example is the case of the bankruptcy of the limited-liability company S.a.m.i.c., a firm operating in the early 1960s in Milan mainly in the textile sector but with some interests in the construction industry as well. This concern was, at first glance, a solid and relatively large firm with a share capital of two billion lire in 1961. At the moment of its insolvency, when facing more than three billion lire of liabilities, however, it appeared that the amount of assets actually available to creditors was much lower. According to the judges, the reason for this discrepancy was that despite its status as a limited-liability joint-stock company, the firm was managed by a single person, Mr. Tavazzini, "as its own thing," something that included the constant transfer of resources to a galaxy of other firms somehow controlled by S.a.m.i.c. itself. The success of this mechanism is shown by the fact that the character of this behavior could escape judges' attention. Indeed, judges in the court of appeal had originally dismissed the case and only the judges in the *Corte di Cassazione* recognized that this network structure had the intent of hiding resources from creditors.[47]

The systematic use of borderline, if not openly fraudulent practices, over many years naturally raises the question of why the victims of such behaviour did not react. The explanation is that, overall, firms could be either perpetrator or the victim depending on the specific circumstances, and hence no coordinated effort to change the rules was possible or convenient. Italian small and medium firms often operated in networks where mechanisms based on reputation and, in some cases, formal institutions and enforcement mediated the inherently very conflicting or, at least, extremely risky relationships between businesses, [48] even when this happened among members of the same family. [49] In within networks, shared information reduced the effectiveness of hidden or disguised forms of governance, strategies that were, by definition, based on the asymmetric distribution of information between the parties involved. More in general, opportunistic firms were subject to "a system of social actions inflicted by the community on trespassers", [50] potentially leading to be banned from the network. [51]

Italian firms thus had different behaviors toward "insiders" and "outsiders," where, with the exception of the state (an outsider by definition), what separated outsiders from insiders in respect to a given firm was membership in the same network.[52] Interestingly, it was likely that sharing formal and/or informal rules within the network made fraudulent behavior more likely to occur outside of it. As it has been argued, rules and norms that increased trust among firms belonging to a given network led to "a similar reduction in the degree of trust of its members toward people/firms outside the district"[53] or, symmetrically, the common knowledge of fraudulent behaviour outside the network reinforced its internal cohesion, making trust among local firms appear to be the "by-product of conspiracy."[54]

Firms' Management and the Role of Business Accountants (*Commercialisti*)

Together with the issues described above, the second anomaly in the structure of Italian capitalism during this period was the unique role played by accountants who were, in many cases, the actual managers of small- and medium-sized firms. In Italy, there were two professional categories formally recognized as accountants: the *ragionieri commercialisti*, those who had a specialized technical high school degree; and the more highly qualified *dottori commercialisti*, a professional title that required a university degree in economics, commerce, or business administration, and passing an exam administered by the National Association of Accountants. Accountants of both types in Italy had an importance that was unheard-of in other countries, the result of a unique legal and institutional setting. The main activity of this professional figure, common to the equivalent professions in Europe, was tax consultancy.[55] In Italy, however, the peculiar complexity of fiscal norms made the position of accountants more central than anywhere else.[56] The legislative reforms of the 1950s and then of the 1970s led to what was defined as an "amazing legislative confusion" to "reduce to very few specialists the number of people able to understand the whole fiscal system."[57] As a result, firms were simply impossible to operate without a specialist.[58] As opposed to what happened in other economies, the structural involvement of accountants thus became a feature of every Italian small- and medium-sized firm. In such a situation, both supply- and demand-side factors made it convenient for these specialists to expand their roles. On the demand side, the relatively high fixed cost to hire accountants pushed the average small Italian concern to extract economies of scope by using them for the provision of other expertise, from labor management to financial consulting.[59] On the supply side, this was a welcome opportunity as the lack of exclusivity to their functions made accountants constantly seek to expand their roles. This was a perennial complaint among dottori commercialisti, who feared a race to the bottom from ragionieri commercialisti, while both types also faced competition from other professions, such as lawyers, and institutions, such as business associations and trade unions.[60] Tax consultancy, therefore, was the first step in acquiring more extensive roles in firms; ragionieri commercialisti tended to become de facto managers of smaller firms, while dottori commercialisti tended to act as global consultants in relatively bigger ones.[61]

The broad role played by accountants in Italian firms had deep implications for business management; accountants were hired personally by owners, not by their businesses, thus their focus was the direct satisfaction of their clients' objectives, not necessarily the firms' growth, innovativeness, and the like. In fact, in all instances in which owners' (often short-term) goals conflicted with firms' (often long-term) objectives, accountants/managers prioritized the former. This led commercialisti to concentrate, in their role as managers, on circumventing specific rules and regulations with the aim of protecting business owners from outsiders. This happened in three different areas: i) tax compliance; ii) undue transfer of firms' resources to owners ("tunneling"); and iii) insolvency.[62] Of the three areas, tax evasion was by far the most widespread. In all three cases, these strategies went against firms' interests: fiscal evasion artificially increased profits, creating incentives for saving on productive investment; resource tunneling naturally deprived businesses of the opportunity to grow; and the way insolvency was handled often led to the premature failure of possibly still-viable firms.

In all three cases, outsiders were usually the state and the workers. The former, by definition, was the straightforward victim of any successful attempt at tax evasion. The latter were indirectly affected by any forms of tunneling, as reducing the firms' resources would have made their working conditions harder and/or employment less secure. Workers, however, were also victims of the strategy of dealing with insolvency outside of formal bankruptcy law and practices through informal extrajudicial solutions. This is because workers were strongly protected under bankruptcy law—as their claims were considered equivalent to secured obligations and with very high seniority—but such protection did not apply to informal procedures.

The first area, lack of tax compliance, is a long-term structural feature of the Italian economy and its degree was (and still is) simply not experienced in advanced Western economies. For example, evidence by Friedrich Schneider and Dominik Enste shows that since 1990, the level of the *shadow economy* (the transactions which evade government taxes and regulations), in Italy has been among the highest in the Western world, much higher than the G7 reference group and in line with countries such as Spain or Greece.[63] Although a shadow economy does not directly mean fiscal evasion, it is a good proxy for the high level of economic activity that escapes formal controls and is hence more exposed to these types of problems. Data on tax evasion, although limited to the national dimension, confirm this perception. Even before World War II, estimates of fiscal evasion provided by the statistician Corrado Gini and by the editors of later editions of his book, ranged from approximately 32 percent in 1909 to 50–70 percent in the 1920s and 1930s.[64] After the war, the degree of tax evasion remained at similar levels to the point that during parliamentary discussion the Minister of Finance Ezio Vanoni argued: "We often have the feeling that tax evasion is a lifestyle choice."[65] Although these remarks applied to both firms and private citizens, it is clear from contemporary reports that small- and medium-sized businesses were at the forefront of fiscal noncompliance.[66] Studies of firms operating during the 1950s and 1960s provide examples of tax evasion by small- and medium-sized businesses and suggest that "illegal accounting practices . . . [were] . . . very widespread at that time."[67]

The fact that accountants were in charge of tax-related matters because of their monopoly over knowledge of the system logically implies that such an enormous degree of fiscal evasion would have been simply impossible without their help.[68] In fact, this view was so common as to be officially reported in speeches at the annual meetings of the Italian National Association of Accountants. In 1976, for example, Goffredo Sala quoted the newspaper *Il Giorno,* which identified commercialisti as those able to help firms "save on taxes."[69] Although the aim of the speech was to deny such a fact, paradoxically strong elements supporting this thesis came from other high-ranking members of that very association. An inquiry published in 1964, for example, reported the opinion of one of the main Italian experts who accused the profession of inhabiting the "smelly cul-de-sacs of compliance towards tax evasion."[70] Even stronger support for this idea comes from a speech by Aldo Parea at the annual meeting in 1958: "It is uncontroversial that, for fiscal reasons, in every firm there are two book-keepings: the official one and the real one . . . the aim of keeping two book-keepings is to reduce the burden of taxation."[71] The widespread character of tax evasion and accountants' knowledge of these strategies could hardly have been more explicit.

The second area of alliance between accountants and business owners was resource tunneling. Evidence of the existence of this phenomenon can be found in the literature: Salvati, for example, argues that from the 1960s Italian entrepreneurs started exporting capital abroad (the so-called "strike of capital") officially because of the fear of political tension and instability, but in fact probably in an attempt to save on taxes.[72] Along similar lines, Marcello de Cecco argues that since the 1970s firms' owners, concerned about social and political tensions, "began to extract capital from their companies."[73] Despite this information, it is difficult to precisely quantify tunneling among unincorporated firms and in historical perspective, and its actual extent remains a matter of debate. However, there is a specific form of tunneling that provides a sense of the extent of this problem among unincorporated firms. This regards assets (cars, real estate, etc.) formally endorsed to firms but leased to business owners or their families for personal use. The relevance and extent of this phenomenon can be indirectly inferred from the fact that in 2011 the tax board made it compulsory to formally report these goods "to contrast the leasing of firms' goods to partners or members of their families to circumvent fiscal obligations."[74] In fact, leasing of firms' goods allowed business owners to achieve two results: on the one hand, they saved on the purchase of personal durable goods; and on the other, they reduced business taxes by taking into account the costs of artificial investments, thereby reducing the book value of profits.

At least three elements suggest that accountants were in the position and had strong incentives to favor this sort of practice. First, as for fiscal evasion, commercialisti were in charge of bookkeeping, thus tunneling would have been impossible without their approval or at least their support. The details of *Rossi e De Mattia v. Tribunale di Treviso*, for example, clearly show how the firm's owners depended completely on the accountant's expertise to commit fraud by falsifying the books. It was the accountant, in fact, who first conceived and then managed the plan.[75] Second, as mentioned above, accountants served individual customers, specifically the firms' owners, rather than the firms.[76] In such a situation, supporting the tunneling of resources from firms to owners would strengthen the commercialisti's role. Third, tunneling also helped keep firms small and this, in turn, was pivotal in preserving accountants' unique position of power in the Italian business world. As a matter of fact, dottori commercialisti served small firms, while ragionieri commercialisti served even smaller businesses organized as artisan firms.

It is no coincidence that the number of accountants in general increased in the 1970s and, in particular, the 1980s in conjunction with the rise of the relative share of small- and medium-sized firms, which followed the oil shocks and crisis of big business. [77]

The link between firms' small size and the power and influence of accountants has both supply- and demand-side explanations. On the demand side, large firms did not use external consultants but instead internalized this role. This led to constant complaints among accountants who viewed big businesses, in particular state-owned ones, as the "enemy."[78] On the supply side, contrary to what happened in other countries, Italian accountants viewed themselves as craftsmen specializing in all possible functions and very often operating individually or, at most, in association with a few colleagues.[79] Even in 1983, approximately 70 percent of dottori commercialisti (that is, those dealing with relatively bigger firms) operated independently.[80] This issue was probably cultural, but there were certainly strong incentives provided by the institutional set-up as well. For example, unlike in any other European country, the Italian law at the time forbade accountants' firms to incorporate in joint-stock companies.[81] Without this possibility, the market for services to big businesses remained out of reach for individual accountants, who were unable or unwilling to specialize in a narrower set of roles In fact, at least since the 1960s, accountants were perennially concerned about the competition of foreign firms in this segment of the market.[82]

The third area, a structural alliance between accountants and firms' owners, appears in the management of cases of business insolvency. Similar to fiscal compliancy (or lack thereof), the issue of bankruptcy in Italy shows peculiarities unparalleled anywhere else in Europe. Specifically, the vast majority of cases were dealt with using informal rather than legal procedures.[83] This aspect was, prima facie, against the interests of accountants because they operated as receivers in formal cases of bankruptcy, while in other countries, such as France and Belgium, this role was handled by lawyers.[84] Despite this, the National Association of Accountants often explicitly supported the use of informal procedures. In a paper presented at the annual conference of the National Association in 1958, no less than the president of the association, Luigi Antonelli, wrote in praise of the so-called *cessio bonorum*—an extrajudicial agreement between creditors and debtors in cases of illiquidity or insolvency—arguing for the superiority of private solutions given the length, costs, and implications of formal procedures.[85]

Although presented as an opportunity for firms to economize on costs, support for using cessio bonorum might hide a different set of advantages for some of the parties involved.

First, the remuneration for managing informal procedures, which in Italy was one of the main activities of accountants in a sort of monopoly, was decided on a commercial basis and could be much higher than the fee obtained by accountants in the role of official receivers in bankruptcy procedures. In fact, accountants often publicly complained about the fact that a number of cases of official bankruptcy resulted in small payments.

Second, the very nature of cessio bonorum offered the possibility of satisfying majority creditors at the expense of minority ones, hence protecting insiders from legitimate claims from outsiders. In fact, cessio bonorum implied that major, nonguaranteed creditors, those who were part of the deal, obtained full control of a firm's assets and could use them to recover their credit either via liquidation or by keeping the firm running. Minority creditors agreed to drop any claim on future dividends in return for an immediate payment of a share of their credits in line with the expected market value of the firm's assets or of its potential ability to generate profits in the future. This solution was clearly open to abuse from majority creditors. For example, a key and tricky issue was the calculation of the percentage of payment due to minority creditors, especially in cases when the firm was kept alive. Accountants seemed fully aware of these issues and of the key role played by the person in charge of the procedure. As Aldo Parea stated in a speech at the annual meeting of the National Association in 1960, "It is obvious that such a procedure may lead to an unequal treatment among creditors, hence it is necessary for the professional in charge . . . to follow, in performing this role, the soundest principles at the basis of any profession."[86] While arguing along these almost moralistic lines, however, he also claimed that informal deals would avoid the "numerous controls and various cautions" typical of official bankruptcy procedures.[87] It is worth noting that a loophole in Italian bankruptcy law made relatively easy to favor some creditors at the expense of others. According to the law, a disparity of treatment among creditors led to preferential bankruptcy (*bancarotta preferenziale*)—which was sanctioned only by a fine—and not to fraudulent bankruptcy (*bancarotta fraudolenta*), a much more serious crime. However, charging someone with preferential bankruptcy was not necessarily proportional to the actual damage done to the firm or minority creditors. To illustrate this inconsistency, we compare two cases. The first is the cooperative firm La Padana, operating in Parma in the early 1970s. In this case, while the cooperative was already declared bankrupt, the general manager used almost the totality of the business's assets (about fifty million lire) to pay specific debts, including his remuneration for previous years of employment (about five million lire). Despite the evident damage to minority creditors and the use for personal interest of a conspicuous part of the firm's assets, the apparent felon was charged only with preferential bankruptcy.[88] This example stands at odds with what happened in the case of the Lavoratori del Mare di Carrara, a fishing cooperative active in the town of Carrara in the late 1950s. In this case, the mere distribution of assets as a charitable act without evidence of fraud was considered a case of fraudulent bankruptcy, and the two managers involved were sentenced to four years in jail.[89]

Conclusion

This paper, based on the use of two overlooked sources, reveals how Italian capitalism suffered from widespread problems in the two key areas of business activity, governance and management, even during the post–World War II miracolo economico. The analysis of approximately 4,800 legal cases shows how small and medium Italian firms often camouflaged their true forms of governance and business organization to protect the interests of insiders with little, if any, consideration for the long-term growth and consolidation of firms. A number of idiosyncratic legal loopholes created distorted incentives for entrepreneurs to use and abuse forms of governance such as artisan firms, small businesses, and de facto partnerships. Furthermore, institutional deficiencies granted business accountants a uniquely broad role in firms' management. Consequently, extensive use of opaque practices such as tax evasion, diversion of resources from firms to their owners, and the recourse to informal liquidation bankruptcy procedures instead of formal ones, emerges from a detailed analysis of the official proceedings of the annual congress of the National Association of Accountants. For some Italian entrepreneurs, it was easier to maximize revenues via these practices than by investment in human capital, technologies, or new organizational forms.

This article refers to the period of maximum success of the Italian economy. In an age of growing demand for labor-intensive goods and relatively low international competition, the phenomena analyzed in the article did not stop Italian firms from being profitable. However, we believe that the inefficient institutional set-up established in this historical period established a pattern of suboptimal development that later revealed its limitations. Few, if any, of the issues already visible in the "golden age" have been addressed in the following decades, and Italian business still suffers from structural problems of a lack of compliancy with basic "rules of the game." Over the years, this contributed to keeping the average Italian firm small, limiting innovation, relying mainly on labor-intensive technologies, and confining it to traditional sectors. We believe this partially explains the very poor Italian economic performance of the last twenty-twenty-five years.[90]

Overall, this article points to profound deficiencies in key areas of the institutional set up of business activity. In this scenario, as widely noted, the question that naturally emerges is "why has Italy been so stubbornly resistant to deep institutional changes?"[91] Although a complete answer to this question is beyond the scope of this article, some basic explanations can be recalled. Following the emergence of various streams of economic literature focusing on the central role of institutions in determining national performance, Italian scholars turned their attention to this topic and agreed on the existence of a pool of factors that hindered institutional change. On the one hand, it has been stressed that Italy suffered from a number of structural constraints both economic (limited competition, including the huge role of family business and large pyramidal groups, which hindered the development of talent) and political (weaknesses of parties, lack of leadership, and rigidity of the constitutional design).[92] In a similar vein, the general weakness of the ruling class has been identified as another main constraint.[93] Other authors also emphasize how the interests of small firms mattered to the main political parties much more than the ones of big business, which were conceived as potential political competitors.[94] More generally, it has also been argued that beyond the power of specific lobbies, institutional deficiencies serve the interests of a widespread minority able to successfully defend the status quo.[95]

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[1] This novel is part of a trilogy usually known as *Il maestro di Vigevano* from the title of the most successful tale, which was originally published in 1962.

[2] So much so that Ginsborg cited it as the only example. Paul Ginsborg, *A History of Contemporary Italy: Society and Politics, 1943–80* (London, 1990), 237. For a detailed picture of Vigevano during the "economic miracle," see Giorgio Bocca, "Mille fabbriche nessuna libreria," *Il Giorno*, 10 Jan. 1962. For a general portrait of the Italian province during this period, see the travel diary by one of the most important Italian journalists, Giorgio Bocca, *Miracolo all'italiana* (Milan, 1962).

[3] For example, Fabrizio Barca, "Compromesso senza riforme nel capitalismo italiano," in *Storia del capitalismo italiano dal dopoguerra a oggi*, ed. Fabrizio Barca (Rome, 1997), 3–115.

[4] Scholars such as Alberto Baccini and Marcello de Cecco have already suggested that in Italy accountants have a unique and broad role in the management of small and medium firms, but this early intuition has never been fully developed in the literature. See Alberto Baccini, "Alcune note sul ruolo del commercialista nel finanziamento delle PMI," mimeo author's personal paper (Firenze, 1998); Marcello de Cecco, "Piccole imprese, banche, commercialisti. Note sui protagonisti della seconda industrializzazione italiana," in *Atti di intelligenza e sviluppo economico: Saggi per il bicentenario della nascita di Carlo Cattaneo*, ed. Luciano Cafagna and Nicola Crepax (Bologna, 2001), 425–49.

[5] Alessandro Nuvolari and Michelangelo Vasta, "The Ghost in the Attic? The Italian National Innovation System in Historical Perspective, 1861–2011," *Enterprise & Society* 16, no. 2 (2015): 270–90; Franco Amatori, Matteo Bugamelli, and Andrea Colli, "Technology, Firm Size, and Entrepreneurship," and Federico Barbiellini Amidei, John Cantwell, and Anna Spadavecchia, "Innovation and Foreign Technology," both in *The Oxford Handbook of the Italian Economy since Unification*, ed. Gianni Toniolo (Oxford, 2013), 455–84 and 378–416.

[6] At first glance one might suspect that being cases decided in court, the sample is biased in the direction of including firms more prone to illegal or borderline behavior, and hence the results cannot be generalized. In fact, by looking at the final results of legal disputes, we discovered a wide variety of results, including cases where firms were brought to court and allegations discharged or firms that brought cases to court and won. In other words, the sample includes cases of "guilty" and "innocent" businesses; hence, their features and response to incentives given by the law can be considered the same as those of the general population of Italian firms of the time.

[7] Considering our estimation of about 14,500 legal cases related to bankruptcy and insolvency (the biggest categories), our sample represents about a third of the total number of business-related cases discussed by the Corte di Cassazione. In order not to miss cases taking place during the golden age, we extended our sample to 1979 because the Corte di Cassazione was the final step in a long process, which usually started much earlier.

[8] Comparing this data with recent estimates of regional GDP, we observe that the two series are quite similar with a slight under-representation of the northern regions and an over-representation of the southern ones, with the GDP shares for the three macroareas in the 1951–1971 period being the following: northern (56.7 percent), central (19.6 percent) and southern (23.7 percent). However, it must be considered that in this case, GDP is only a rough measure to be compared with our geographical distribution (as there are many other variables—firms' size, sector of activity, and so on—that could influence the actual number of firms in a given area). For these estimates, see Emanuele Felice, "Italy," in *The Economic Development of Europe's Regions: A Quantitative History Since 1900*, ed. Juan R. Rosés and Nikolaus Wolf (New York, 2018).

[9] We selected a sample of 158 cases and managed to find almost 60 percent of the sample (90 cases). Also, in this sample, there is good coverage of the different regions of the country: 48.7 percent in the north; 26.8 percent central; and 24.4 percent in the south. These percentages are even closer to the GDP estimates presented above with only a slight over-representation of the central regions.

[10] The speakers at the Congress were delegates from all regional branches of the Association, guaranteeing full national coverage.

[11] See, for example, Peter Temin, "The Golden Age of European Growth Reconsidered," *European Review of Economic History* 6 (Apr. 2002): 3–22.

[12] Nicola Rossi and Gianni Toniolo, "Italy," in *Economic Growth in Europe since 1945*, ed. Nicholas Crafts and Gianni Toniolo (Cambridge, U.K., 1996), 427–54. For a recent overview of the Italian economy during the golden age, see Nicholas Crafts and Marco Magnani, "The Golden Age and the Second Globalization in Italy," in *The Oxford Handbook*, 69–107.

[13] These estimates are from Maddison Project Database, last accessed 3 June 2018, see: http://www.ggdc.net/maddison. For details on this project, see Jutta Bolt, Robert Inklaar, Herman De Jong and Jan Luiten van Zanden "Rebasing 'Maddison': new income comparisons and the shape of long-run economic development", Maddison Project Working Paper, no. 10 (2018). The twelve countries considered are: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Sweden, Switzerland and United Kingdom.

[14] Michelangelo Vasta, "Italian Export Capacity in the Long-Term Perspective (1861–2009): A Tortuous Path to Stay in Place," *Journal of Modern Italian Studies* 15, no. 1 (2010): 133–56.

[15] Jon Cohen and Giovanni Federico, *The Growth of the Italian Economy, 1820–1960* (Cambridge, U.K., 2001).

[16] Ibid., 103.

[17] Giacomo Nardozzi, "The Italian 'Economic Miracle'," *Rivista di Storia Economica* 19 (Aug. 2003): 146.

[18] Renato Giannetti and Michelangelo Vasta, "Big Business (1913–2001)" in *Forms of Enterprise in 20th Century Italy: Boundaries, Structures and Strategies*, ed. Andrea Colli and Michelangelo Vasta (Cheltenham, 2010), 25–51.

[19] Ibid., fig. 2.1.

[20] Giovanni Federico, "Industrial Structure (1911-2001)," in *Evolution of Italian Enterprise in the 20th Century*, ed. Renato Giannetti and Michelangelo Vasta (Heidelberg, N.Y., 2006), table 2.8; Renato Giannetti and Michelangelo Vasta, *Storia dell'impresa italiana* (Bologna, 2012), table 2.11a. See also Bart Van Ark and Erik Monnikhof, "Size Distribution of Output and Employment: A Data Set for Manufacturing Industries in Five OECD Countries, 1960s–1990," *OECD Economics Department Working Papers*, no. 166 (Paris, 1996), http://dx.doi.org/10.1787/207105163036. Germany's data is our estimate based on the fact that the worker's share for the size class 1-19 is 3.9 percent in total.

[21] Alessandro Nuvolari and Michelangelo Vasta, "The Ghost in the Attic?"

[22] Nardozzi, "The Italian 'Economic Miracle'," 152.

[23] Matteo Gomellini and Mario Pianta, "Commercio con l'estero e tecnologia in Italia negli anni Cinquanta e Sessanta" in *Innovazione tecnologica e sviluppo industriale nel secondo dopoguerra*, ed. Cristiano Antonelli et al. (Bari, 2007), 562–63.

[24] Cohen and Federico, *The Growth of the Italian Economy*, 104. Nardozzi expresses a similar view, "The Italian 'Economic Miracle'." Moreover, Rossi and Toniolo attributed the slowdown that took place after the mid-1960s also to the inefficiency of the public sector and to the large diffusion of corruption, "Italy," 449–50.

[25] Nardozzi, "The Italian 'Economic Miracle'."

[26] Alexander Aganin and Paolo Volpin, "The History of Corporate Ownership in Italy," in *A History of Corporate Governance around the World: Family Business Groups to Professional Managers*, ed. Randall K. Morck (Chicago, 2005), 325–61; Marcello Bianchi, Magda Bianco and Luca Enriques, "Pyramidal Groups and the Separation between Ownership and Control in Italy" in *The Control of Corporate Europe*, ed. Fabrizio Barca and Marco Becht (Oxford, 2001), 154–87; Alexander Dyck and Luigi Zingales, "Private Benefits of Control: An International Comparison," *Journal of Finance* 59 (Apr. 2004): 537–600; Luigi Zingales, "The Value of the Voting Right: A Study of the Milan Stock Exchange Experience," *Review of Financial Studies* 7 (Jan. 1994): 125–48.

[27] Barca, "Compromesso senza riforme." This view is consistent with recent findings about the role of political parties in curbing the structure of the Italian productive system. See Andrea Colli and Alberto Rinaldi, "Institutions, Politics and the Corporate Economy," *Enterprise & Society* 16, no. 2 (2015): 249–69.

[28] Ginsborg, *A History of Contemporary Italy*.

[29] Michele Salvati, *Occasioni mancate: Economia e politica in Italia dagli anni '60 a oggi* (Rome; Bari, 2000).

[30] Christina Lubinski, "Path Dependency and Governance in German Family Firms," *Business History Review* 85 (Winter 2011): 699–724.

[31] Similar to other countries, in Italy the most common legal forms for non-incorporated firms can be divided between the ones having unlimited liability, such as sole ownership (*società semplice*) and partnership

(*società in nome collettivo*), and the ones having limited liability, such as forms of limited liability partnership (*società a responsabilità limitata* and *società in accomandita*). Unlimited liability forms of business organizations were not subject to any minimum capital requirement nor did they need any mandatory control bodies; limited liability ones required a minimum capital of fifty thousand Italian lire and a mandatory control body (*collegio sindacale*) only for firms with capital of more than one million lire. Joint stock companies needed to have a nominal capital of at least one million lire and the collegio sindacale was compulsory. Other forms of governance such as artisans and small entrepreneurs (*piccolo imprenditore*) were subject to very limited requirements.

[32] Timothy Guinnane, Ron Harris, Naomi R. Lamoreaux, and Jean-Laurent Rosenthal, "Putting the Corporation in its Place," *Enterprise and Society* 8, no. 3 (2007): 687–729.

[33] Fallimento Società A.L.P.E. v. Floris (for the former), Cassazione Civile, Sezione I, 18 June 1958, and Gilli v. Fallimento Società Cotonificio di Samarate e Gilli (for the latter), Cassazione Civile, Sezione I, 24 Oct. 1969,

[34] Among many others, Rodolfo Calamandrei, *La questione delle società di fatto* (Florence, 1898); Filippo Pestalozza, "Questioni in tema di società di fatto," *Il diritto fallimentare e delle società commerciali* 6 (1929): 834–38; Enrico Zola, *Le società di fatto nel diritto e nella pratica commerciale* (Torino, 1929); Vincenzo Vitrò, *Le società di fatto: profili sostanziali ed effetti del fallimento* (Milan, 2009).

[35] Magda Bianco, Tullio Jappelli, and Marco Pagano, "Courts and Banks: Effects of Judicial Enforcement on Credit Markets," *Journal of Money, Credit, and Banking* 37, no. 2 (2005): 223–44.

[36] In 1959, the minimum capital requirement was fifty thousand lire for limited-liability companies and one million for joint-stock ones. Giuseppe Ferri, *Manuale di diritto commerciale* (Turin, 1959).

[37] Giannattasio v. società irregolare Giannattasio e fallimento Giannattasio, Cassazione Civile, Sezione I, 27 Feb. 1971. For an overview of the mechanisms operating in family firms, see Andrea Colli, *The History of Family Business, 1850–2000* (Cambridge, U.K., 2003).

[38] Mongello v. Fallimento Mongello e altri, Cassazione Civile, Sezione I, 21 Oct. 1967.

[39] Randall Morck and Bernard Yeung, "Family Control and the Rent-Seeking Society," *Entrepreneurship Theory and Practice* 28, no. 4 (2004): 391–409. See also the classical study by Edward C. Banfield, *Moral Basis of a Backward Society* (Glencoe Ill., 1958).

[40] See, for instance, the opposite outcomes of the two cases: Belillo v. Fallimento Mantovani, Cassazione Civile, Sezione I, 19 Oct. 1955; Fallimento Benanti e Schillaci v. Benanti e Schillaci, Cassazione Civile, Sezione I, 2 May 1978.

[41] Alberto Baccini, "Artigiancassa: da Istituto di credito speciale a banca per le imprese artigiane," in *Atti e Documenti di Artigiancassa S.p.a., Artigiancassa: da Istituto di credito speciale a banca per le imprese artigiane 1953–2001* (Firenze, 2002), 7–101; Giuseppe M. Longoni and Alberto Rinaldi, "Industrial Policy and Artisan Firms (1930s–1970s)," in *Forms of Enterprise in 20th Century Italy: Boundaries, Structures, and Strategies*, ed. Andrea Colli and Michelangelo Vasta (Cheltenham, 2010), 204–24.

[42] Laganà v. fallimento P.A.V., Cassazione Civile, Sezione I, 19 Apr. 1966; Baldassarre v. Ditta Gravina e fallimento Baldassarre, Cassazione Civile, Sezione I, 12 Nov. 1977.

[43] Giancreco v. Romano e altri, Cassazione Penale, Sezione V, 6 May 1968; Sozzi e Soc. Colorificio Toscano v. fallimento Sozzi, Cassazione Civile, Sezione I, 16 Oct. 1965.

[44] De Cusatis v. Saiwa e fallimento De Cusatis, Cassazione Civile, Sezione I, 18 May 1971.

[45] Fallimento Lutz v. Lutz e altri, Cassazione Civile, Sezione I, 13 Apr. 1964.

[46] Fallimento Melandri v. Banco di Napoli e Cassa di Risparmio di Genova e Imperia, Cassazione Civile, Sezione I, 9 Dec. 1976.

[47] Pubblico Ministero v. Tavazzini, Cassazione Penale, Sezione III, 1 July 1963.

[48] Gabi Dei Ottati, "Trust, Interlinking Transactions, and Credit in the Industrial District," *Cambridge Journal of Economics* 18, no. 6 (1994): 529–46; Mark Lazerson, "Subcontracting in the Modena Knitwear Industry," in *Industrial Districts and Inter-Firm Cooperation in Italy,* ed. Frank Pyke, Giacomo. Becattini, and Werner Sengenberger, (Geneva, 1990), 115–17.

[49] An analysis of the cultural habits diffused among small companies in the silk industry in Como shows "betrayal" was a common feature even among family members when it came to business matters. Sylvia Junko Yanagisako, *Producing Culture and Capital: Family Firms in Italy* (Princeton, 2002), chap. 4

[50] Giacomo Becattini, "Italian Industrial Districts: Problems and Perspectives," *International Studies of Management & Organization* 21, no. 1 (1991): 85.

[51] Gabi Dei Ottati, "Cooperation and Competition in the Industrial District as an Organization Model," *European Planning Studies* 2, no. 4 (1994): 466–70 Sebastiano Brusco, "The Rules of the Game in Industrial Districts," in *Interfirm Networks. Organization and Industrial Competitiveness*, ed. Anna Grandori (London, 1999), 26.

[52] This also applies to credit institutions; small Italian firms relied mainly on local banks, which allocated credit largely on the basis of personal connections with business owners (Ottati, "Trust, Interlinking Transactions, and Credit," 541–42). It is likely that business accountants, whose personal connections in particular with potential creditors were considered necessary professional qualities, were pivotal in establishing such connections (Francesco Mafera, *Il Commercialista* (Firenze, 1964), 116–17).

Additionally, the common practice of firms having multiple lines of credit with different banks created a two-way informal insurance against opportunistic behavior from either banks or firms; the former had only a limited amount of credit at stake with each individual firm, and the latter could easily afford to lose the support of one credit institution if it proved unreliable (Giuseppe Conti and Giovanni Ferri, "Banche locali e sviluppo economico decentrato," in *Storia del capitalismo italiano dal dopoguerra a oggi,* ed. Fabrizio Barca (Rome 1997), 429–65.)

[53] Ottati, "Trust, Interlinking Transactions, and Credit," 532.

[54] Dario Gaggio, "Pyramids of Trust: Social Embeddedness and Political Culture in Two Italian Gold Jewelry Districts," *Enterprise and Society* 7, no. 1 (2006): 47.

[55] Bernardo Mattarella, speech, *Congresso nazionale dei dottori commercialisti: Napoli, 4-7 ottobre 1956* (Napoli, 1957), 427–30.

[56] This might be one of the reasons why in Italy business consulting, as an independent field of activity, struggled to establish itself. For a detailed analysis of this category, see, for example, Cristina Crucini, "The

Development and Professionalization of the Italian Consultancy Market after WWII," *Business and Economic History* 28 (Winter 1999): 7–18; and Cristina Crucini and Matthias Kipping, "Management Consultancies as Global Change Agents? Evidence from Italy," *Journal of Organizational Change Management* 14, no. 6 (2001): 570–89.

[57] Cesare Cosciani, quoted in Stefano Manestra, "Per una storia della tax compliance in Italia," *Questioni di Economia e Finanza - Occasional papers Banca d'Italia* 81 (Dec. 2010): 35.

[58] Maria Rosaria Fiorentini, "Sviluppo capitalistico e professioni economiche: ragionieri e dottori commercialisti, consulenti del lavoro," in *Le libere professioni in Italia*, ed. Willem Tousijn (Bologna, 1987), 264 and 279.

[59] This was recognized by the commercialisti themselves. See Goffredo Sala, "Prospettive del dottore commercialista e ordinamento professionale," *Congresso nazionale dei dottori commercialisti: 20–25 settembre 1976: atti e relazioni* (Genova, 1979), 811–24.

[60] Such complaints were very common at annual meetings of the National Association. See, for example, Oreste Croce, "Il ruolo del revisore ufficiale dei conti," *Congresso nazionale dei dottori commercialisti* (Milano, 1946), 359–63; Pietro Aricò, "Attuale orientamento della professione di Dottore Commercialista in Italia e delle professioni corrispondenti in altri paesi," *Congresso nazionale dei dottori commercialisti: Napoli, 4–7 ottobre 1956*, 183–89; Luigi Rocco, "Orientamenti e collegamenti professionali," *Congresso nazionale dei dottori commercialisti*: *Napoli, 4–7 ottobre 1956*, 191–203; Dino Angeli, "La crescente importanza dei problemi professionali," *Congresso nazionale dei dottori commercialisti: Trieste, 21–25 settembre 1966* (Trieste, 1968), 387–402. Luigi Antonelli, "Funzioni e compiti del dottore commercialista," *Congresso nazionale dei dottori commercialisti: Trieste, 21–25 settembre 1966*, 201–40; Sala, "Prospettive del dottore commercialista e ordinamento professionale," 290; and Fiorentini, "Sviluppo capitalistico e professioni economiche," 292.

[61] Fiorentini, "Sviluppo capitalistico e professioni economiche," 284–85. Evidence of this also surfaces in the case Rossi e De Mattia v. Tribunale di Treviso, Cassazione penale, Sezione, III, 18 Feb.1957 in which Mattia Nerino, commercialista of the firm *Officine Meccaniche Rossi Romeo*, owned by Romeo Rossi, argued that he was in full charge of management of the firm.

[62] Simon Johnson, "Tunneling," *American Economic Review* 90 (May 2000): 22–27.

[63] Friedrich Schneider and Dominik H. Enste, "Shadow Economy: Size, Causes, and Consequences," *Journal of Economic Literature* 38 (Mar. 2000): 77–114.

[64] Corrado Gini, *L'ammontare e la composizione della ricchezza delle nazioni* (Torino, 1914; 2nd ed. 1962).

[65] Atti parlamentari - Camera dei Deputati, *Discussioni – seduta pomeridiana del 21 ottobre 1948*, p. 3744.

[66] Manestra, "Per una storia della tax compliance in Italia," 36.

[67] Margherita Russo and T. P Hughes, "Complementary Innovations and Generative Relationships: An Ethnographic Study," *Economics of Innovation and New Technology* 9, no. 6 (2000): 526. See also Gaggio, "Pyramids of Trust".

[68] Commercialisti themselves were rumored to have an uneasy relationship with the tax man. See Francesco Mafera, *I commercialisti* (Firenze, 1964): 110.

[69] Sala, "Prospettive del dottore commercialista e ordinamento professionale," 813.

[70] This opinion belongs to Federico Maria Pacces, university professor and founder of the economic newspaper *24 ore.* See Mafera, *I commercialisti*, 106.

[71] Aldo Parea, "Una forma di pseudo 'cessio bonorum'," *Congresso nazionale dei dottori commercialisti: Palermo 2–5 ottobre 1958* (Palermo, 1960), 321–22.

[72] Salvati, *Occasioni mancate.*

[73] Marcello de Cecco, "Italy's Dysfunctional Political Economy," *West European Politics* 30 (Sept.2007): 767.

[74] Francesco Mantica, "Beni ai soci, la nuova normative", PMI.it accessed on 16 Apr. 2014, http://blog.pmi.it/02/12/2011/beni-ai-soci-la-nuova-normativa.

[75] Rossi e De Mattia v. Tribunale di Treviso, Cassazione Penale, Sezione III, 18 Feb. 1957.

[76] Rocco, "Orientamenti e collegamenti professionali"; and Fiorentini, "Sviluppo capitalistico e professioni economiche," 285.

[77] Franco Antolini, "Tecnica e politica dei bilanci di esercizio delle imprese," in *Congresso nazionale dei dottori commercialisti: Napoli, 4–7 ottobre 1956*, 333–38. Between 1980 and 1985, for example, the number of commercialisti increased by 32 percent after increasing by only 13 percent between 1976 and 1980. Also, in 1976 the ragionieri commercialisti—accountants dealing mainly with the smallest firms—were about 40 percent of the total, a share that increased to almost 50 percent in 1985. Authors' calculation from Fiorentini, "Sviluppo capitalistico e professioni economiche," table 13, 278.

[78] Sala, "Prospettive del dottore commercialista e ordinamento professionale"; Croce, "Il ruolo del revisore ufficiale dei conti"; and Rocco, "Orientamenti e collegamenti professionali."

[79] Rocco, "Orientamenti e collegamenti professionali"; Antonelli, "Funzioni e compiti del dottore commercialista," 217; and Aricò, "Attuale orientamento della professione di Dottore Commercialista in Italia."

[80] Data from Fiorentini, "Sviluppo capitalistico e professioni economiche," 282.

[81] Law n. 1815, 23rd November, 1939, *Disciplina giuridica degli studi di assistenza e di consulenza.*

[82] Angeli, "La crescente importanza dei problemi professionali."

[83] Paolo Di Martino and Michelangelo Vasta, "Companies' Insolvency and 'the Nature of the Firm' in Italy, 1920s–1970s," *Economic History Review* 63, no. 1 (2010): 137–64.

[84] Angelo Arrigoni and Giordano Caprara, "La professione del professionista in Francia, Belgio, Germania con comparazione alle funzioni assolte dal dottore commercialista in Italia," *Congresso nazionale dei dottori commercialisti: Palermo 2–5 ottobre 1958*, 289.

[85] Luigi Antonelli, "La 'cessio bonorum' quale soluzione stragiudiziale in taluni casi patologici d'impresa", *Congresso nazionale dei dottori commercialisti: Palermo 2–5 ottobre 1958*, 263–78.

[86] Parea, "Una forma di pseudo 'cessio bonorum'," 324.

[87] Ibid., 322

[88] Pubblico Ministero v. procura Delindati, Cassazione Penale, Sezione V, 7 June 1973.

[89] Leone (avv. Di Altieri) v. Sentenza corte d'appello tribunale di Genova, Cassazione Penale, Sezione III, 23 Feb. 1959.

[90] Emanuele Felice and Giovanni Vecchi, "Italy's Modern Economic Growth, 1861–2011," *Enterprise & Society* 16, no. 2 (2015): 225–48.

[91] Gianni Toniolo, "An Overview of Italy's Economic Growth," in *The Oxford Handbook*, 35.

[92] Crafts and Magnani, "The Golden Age and the Second Globalization in Italy," 69–107.

[93] Emanuele Felice, *Ascesa e declino: Storia economica d'Italia* (Bologna, 2015).

[94] Colli and Rinaldi, "Institutions, Politics."

[95] Paolo Di Martino and Michelangelo Vasta, "Happy 150th Anniversary, Italy? Institutions and Economic Performance since 1861," *Enterprise & Society* 16, no. 2 (2015): 291–312; Ginsborg, *A History of Contemporary Italy*.